

Sean Steffensen
Mechanical Engineer
California Energy Commission
1516 Ninth Street, MS-25
Sacramento, CA 95814

December 20, 2018

Dear Mr. Steffensen:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for proposed regulations on spray sprinkler bodies, as required in California Code of Regulations, title 1, section 2002(a)(1) for major regulations. The SRIA and other publicly available information were used in the development of these comments.

The proposed regulations establish pressure and labeling standards for spray sprinkler bodies sold in California starting in 2020, with an estimated stock of 283 million installed on single-family residential, commercial, and government properties. Given an assumed 10-year lifespan and no overall increase in the stock, 10 percent (28 million) of the sprinkler stock will be replaced annually from 2020 to 2029. Sprinklers generally cost less than \$10 each, and the proposed regulations would increase prices by \$2 to \$5 per sprinkler, depending on the type. The increased cost would be around \$120 million a year, but would save an estimated 14 billion gallons of water and 51 GWh of electricity. By 2029, water and energy usage would be approximately 17 percent lower than under the baseline.

Finance generally concurs with the methodology used to estimate impacts of proposed regulations, with two exceptions. First, the SRIA must include the impact of sprinklers used in multi-family residential properties, as sprinklers in those structures would also be required. Sources cited in the SRIA note that the stock of sprinklers on multi-family properties is roughly comparable to the stock used on commercial properties, or 20 percent of the total. Including these sprinklers would raise the costs to around \$140 million a year, and increase savings on water and energy to around 16 billion gallons and 60 GWh, respectively.

Second, the analysis should account for an increasing baseline of sprinkler usage over time, given that the state is expected to add around 2 million more housing units from 2020 to 2029. While water consumption has been relatively flat since the drought restrictions in 2016, and anecdotally more landscaping is switching to drought-tolerant designs, the sheer scale of additions is likely to overwhelm these factors. Against an increasing baseline, the proposed regulations would be even more important to increasing California water and energy efficiency. Given lower water and energy demands, utilities face less need for additional investments in costly infrastructure.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed

regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Irena Asmundson", with a stylized flourish at the end.

Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Director, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Bryan Cash, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Kristen Driskell, Deputy Director, California Energy Commission
Ms. Corrine Fishman, Regulations Manager, California Energy Commission
Ms. Leah Mohny, Energy Resources Specialist, California Energy Commission